Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

CONFIDENTIAL

PAGE 01 LIMA 07416 051822Z

42
ACTION ARA-20

INFO OCT-01 EA-11 NEA-14 ISO-00 OPIC-12 PA-04 PRS-01

USIA-15 IGA-02 DRC-01 XMB-07 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 EB-11 FPC-01

H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 /220 W
---------- 037922
P R 051739Z SEP 74
FM AMEMBASSY LIMA
TO SECSTATE WASHDC PRIORITY 1768
INFO AMEMBASSY CARACAS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L LIMA 7416

DEPARTMENT PASS EXIMBANK

E.O. 11652: GDS
TAGS: ENRG, PE, JA, IR, VE
SUBJECT: GOP CLAIMS FINANCING FOR TRANS-ANDEAN PIPELINE
ASSURED, BUT DOUBTS REMAIN

REFS: LIMA 7279, 6865 (BOTH NOTAL), LIMA 3944

1. SUMMARY: MINES AND FOREIGN MINISTERS RETURNED FROM TWO-WEEK VISIT TO ANNOUNCE IN JOINT PRESS CONFERENCE SEPTEMBER 3 THAT THEY HAD SUCCEEDED IN OBTAINING TOTAL FINANCING FOR TRANS-ANDEAN PIPELINE, PRINCIPALLY FROM THE JAPANESE, IRANIANS, AND VENEZUELANS BUT ALSO INCLUDING ARGENTINES, SOVIETS AND BRITISH. THEY ALSO HOPEFUL THAT PRIVATE U.S. BANKS WILL MAKE $100 MILLION AVAILABLE, AND, ACCORDING OFFICIAL GAZETTE, FORMIN DE LA FLOR WITH "THE SUPPORT OFFERED BY SECRETARY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 07416 051822Z

KISSINGER" HOPES TO OBTAIN CREDITS FROM THE EXIMBANK. IN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

PERUVIANS TERMS, IT APPEARS THAT TOUR WAS QUALIFIED SUCCESS IN THAT MINISTERS APPARENTLY TIED DOWN JAPANESE LOAN AND ALSO ARE IN PROCESS OF OBTAINING CREDITS FROM IRANIANS. FIGURES QUOTED BY PRESS FOR TOTAL AMOUNT OF PROJECT CONFLICT, HOWEVER, AND COFIDE SOURCE TELLS US THAT PROJECT STILL LACKS APPROX-IMATELY $250 MILLION FOR FINAL FINANCING. PERU, IN THIS REGARD, REMAINS VITALLY INTERESTED IN EXIMBANK PARTICIPATION. END SUMMARY

2. JOINT PRESS CONFERENCE SEPTEMBER 3 BY MINISTER OF MINES GENERAL FERNANDEZ MALDONADO AND FOREIGN MINISTER DE LA FLOR GENERATED BANNER HEADLINES IN LIMA STATING THAT PERU HAD "COMPLETELY FINANCED PIPELINE." IN ADDITION TO JAPAN'S $230 MILLION, THEY SAID PERU HAS BEEN ABLE TO OBTAIN $100 MILLION LOAN FROM IRAN (TERMS NOT AVAILABLE), AND $35.5 MILLION FROM ARGENTINES, AS REPORTED LIMA 6865. IN ADDITION, SOME PRESS VERSIONS STATED THAT VENEZUELA IS MAKING $100 MILLION AVAIL-ABLE FOR PIPELINE, BUT THIS IS APPARENTLY ERRONEOUS SINCE OFFICIAL IN STATE DEVELOPMENT BANK (COFIDE) TOLD EMBASSY OFFICER THAT VENEZUELA NOT MAKING LOAN TO PIPELINE BUT HAS RATHER AGREED TO LOAN PERU CRUDE TO MEET ITS DOMESTIC SHORT-FALL DURING 1975 AND 1976 UNTIL PERU BECOMES SELF-SUFFICIENT. AT THAT TIME, BEGINNING APPROXIMATELY IN 1977, PARTIAL PAYMENT WILL BE MADE TO VENEZUELA IN CRUDE AND PART IN CASH. ACCORDING ONE PRESS STORY, VENEZUELAN ASSISTANCE DUE TO "DIRECT INTERVENTION OF PRESIDENT PEREZ AND MINES AND ENERGY MINISTER HERNANDEZ."

3. LOCAL PRESS STORIES VARIOUSLY QUOTE MINISTERS AS STATING THAT U.S. PRIVATE BANKS IN PROCESS OF MAKING $100 MILLION AVAILABLE, WHICH COFIDE SOURCE CONFIRMS, LOAN IN THIS AMOUNT IS UNDER CONSIDERATION, ALTHOUGH HE IS UNABLE TO STATE AT THIS TIME WHICH BANKS ARE INVOLVED. PRESS STORIES ALSO QUOTE DE LA FLOR TO EFFECT THAT SECRETARY KISSINGER HAS GIVEN HIS SUPPORT TO PERU REQUEST BEFORE EXIMBANK FOR CREDITS. IN SUM, COFIDE OFFICIAL GENERALLY SEES TOTAL FOREIGN EXCHANGE COSTS OF PACKAGE AT PRESENT AS FOLLOWS:

(IN $ MILLIONS)

JAPANESE 230

IRAN 100
ARGENTINA NH 50
USSR 6.8
UK 11.3
SUB TOTAL 398.1
PRIVATE U.S. BANKS 100/'4
EXIMBANK 150
SUB TOTAL 250

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

TOTAL (APPROX) 648.1

4. IRAN LOAN OBTAINED DURING "INTENSE NEGOTIATIONS" WITH COFIDE OFFICIAL WHO TRAVELED TO TEHRAN AT SAME TIME MINISTERS WERE VISITING WASHINGTON, SAN FRANCISCO, AND TOKYO. IT IS STILL IN FINAL STAGES OF PREPARATION ALTHOUGH AGREED TO IN PRINCIPLE ACCORDING COFIDE SOURCE. SIMIILARLY ARGENTINE LOAN AGREEMENT REACHED, BUT NOT YET SIGNED. EMBASSY HAS ALSO HEARD UNCONFIRMED REPORT THAT TWO VERY MINOR POINTS RENVVN TO BE IRONED OUT WITH JAPANESE, ALTHOUGH OFFICIAL SIGNING CEREMONY HAS ALREADY OCCURRED.

5. COMMENT: IN TYPICAL PERUVIAN FASHION, MINISTERS RETURNED HOME TO ANNOUNCE SUCCESS IN THEIR EFFORTS TO OBTAIN PIPELINE FINANCING; HOWEVER, ON CLOSE INSPECTION IT APPEARS THAT COMPLETE FINANCING HAS NOT YET BEEN ACHIEVED. IT NOW SEEMS CLEAR THAT TOTAL COST OF PIPELINE, NOT INCLUDING OXY SECTION, IS NOW REACHING RANGE OF $650 MILLION, AND THAT PERU STILL LACKS SUBSTANTIAL SUM, OR ABOUT $250 MILLION. VENEZUELA LOAN OF OIL WILL ASSIST IN BUDGET SUPPORT, BUT IT IS NOT DIRECTLY CONNECTED TO PIPELINE FINANCING. IN ADDITION, ALTHOUGH MINISTERS SPOKE OF 1976 TARGET DATE, FINANCIAL ARRANGEMENTS WITH VENEZUELA AND JAPAN POINT TO 1977-78 AS ACTUAL DATE AT WHICH TIME PIPELINE WILL BE PUMPING OIL. IN THIS REGARD, GROUP OF KNOWLEDGEABLE U.S. OILMEN TOLD AMBASSADOR SEPTEMBER 3 THAT PIPELINE PROBABLY CANNOT BE CONSTRUCTED BEFORE 1978. FURTHER, ALTHOUGH OFFICIAL GAZETTE STATED TOTAL COST OF PIPELINE WOULD BE $500 MILLION, "LA CRONICA" QUOTE MINMINES SAYING TOTAL WILL EXCEED $600 MILLION. IT IS CLEAR MINISTERS FELT THAT THEY HAD TO COME BACK WITH THE BACON, EVEN IF THEY ONLY REALLY HAVE SOMEWHAT OVER HALF THE PACKAGE. IN REGARD TO EXIM, GOP IS STILL HOPEFUL THAT CREDITS CAN BE FORTHCOMING SOON ENOUGH TO BE OF ASSISTANCE IN PUTTING FINAL TOUCHES ON
CONFIDENTIAL

THIS FINANCING PACKAGE.
DEAN

CONFIDENTIAL

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, LOAN AGREEMENTS, PETROLEUM PIPELINES, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA07416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740246-0775
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740973/aaaacjqa.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LIMA 7279, 6865 (BOTH NOTAL), LIMA 3, 944
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUL 2002 by shawdg>; APPROVED <04 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOP CLAIMS FINANCING FOR TRANS-ANDEAN PIPELINE ASSURED, BUT DOUBTS REMAIN
TAGS: ENRG, PE, JA, IR, VE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005